

2009 HOUSE APPROPRIATIONS

HB 1313

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1313

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: January 19, 2009

Recorder Job Number: 7218

Committee Clerk Signature

Holly M. Sand

Minutes:

Chm. Svedjan opened the hearing on HB 1313.

Rep. Berg, District 45, Fargo testified in support of HB 1313. Rep. Berg distributed a copy of the "Department of Human Services Summary" (Attachment A). He also distributed "Request/Recommendation Comparison Summary" (Attachment B). Rep. Berg explained that there are two issues: to create more transparency in government and to give legislators more flexibility in the budgeting process. In the example of DHS (Attachment A), Rep. Berg said that his concern is that about \$12 million in one-time spending and he does not think that shows up in the standard reports.

Rep. Berg reflected to 2003-2004 and said that North Dakota was one of only four states that were in the black. In the last couple of years all the states were flush with cash. Today, NCSL is saying there are only six states that are in the black or not projecting a budget deficit. Rep. Berg believes that North Dakota has fared well because the one-time revenue has been identified and it has not been used for ongoing programs. His hope is to be able to account for the one-time money in the future.

Rep. Berg referred the Committee to Attachment B. Rep. Berg would like to take where it says, "By Funding Source" and break this information down into "General Funds," "One-time General Funds," "Federal Funds," and "Special Funds." This would help the legislature track and hold

the expenditures accountable so that the funds are used for what they were intended when they were appropriated.

Rep. Berg distributed an explanation of the Fiscal Note (Attachment C).

Rep. Berg: The intent is that at the end of a session the one-time spending is accounted for and it is done in a manner that when OMB looks at our budget or the public sector looks at our budget, they know what was ongoing general fund spending and what was one-time general fund spending. Rep. Berg explained that his definition of one-time money is, if after the biennium the revenues exceed the forecast, that money is referred to as one-time money. This bill would say that if at the end of the biennium we have a surplus, the Governor could not appropriate that money (Budget Stabilization Fund). The one-time money at the end of the money could not be appropriated.

Rep. Berg reviewed Attachment C. (5:53)

Rep. Kempenich: Do you envision that when we do this that we block off an amount of money?

Rep. Berg: That would be another tool we could use. The intent is not to change anything we are appropriating this session. It's just to tag those dollars that are one-time dollars as one-time dollars so that in the future it is clear to everyone that these were intended for one-time expenditure. (8:05)

Rep. Hawken: Could the money that would be set aside then be budgeted in the next biennium?

Rep. Berg: We'd set up the fund. \$391 million goes into the fund. We appropriate \$391 million out as if this has no change on how we approach the session. But at the end of the session when OMB and Legislative Council do their reports, it would show, for example, Human

Services, instead of \$591 million it would be \$12 million less than that. And it would show \$12 million as one-time expenditure.

Rep. Hawken: So why wouldn't we just want to add that list to the chart? Why do a different fund and how would that be appropriated in the biennium?

Rep. Berg: I would anticipate no change as how we appropriate the one-time money. The challenge is that we can't tell OMB how they should put their money. We can if we have a separate account that lists that. We can't tell the public "that's not really what we spent in ongoing revenue" because we haven't tagged it that way.

Chm. Svedjan: One-time revenue is the difference between what's been forecast and what actually comes in. We are currently as a legislature trying to discern between ongoing and one-time in our appropriations and our revenues. You are proposing that after you calculate what the one-time amount is, the first \$65 million would go into the General Fund but anything over \$65 million would go into a dedicated one-time spending reserve account. (11:18)

Rep. Berg: This confuses it because of current statute. Maybe a better way of thinking about that is amend out the \$65 million and we would say all of the one-time money would go into a one-time account. Then we would appropriate that money as we see fit during the session but it would be tagged as one-time money.

Chm. Svedjan: If that were done and we ended up with \$400 million (for example) in the one-time fund, as agencies budget, as the Governor prepares his budget, can they budget for things that would be paid out of the that fund?

Rep. Berg: As it's intended, no. This would be what the legislators would look at and make determinations on the spending of that amount.

Rep. Kempenich: The Governor isn't appropriating money anyway. We still have to agree with what the Governor is proposing anyway, don't we? (13:22)

Rep. Berg: We have 100 percent of the authority to appropriate the money. That's our responsibility as legislators. The Constitution says the Governor will advise on the state of the state and we've evolved over the years into really spending our time looking at everyone's recommendations trying to balance them out. My intent is to create a pool of one-time money that the legislature could make decisions with based on what we think will have the most impact.

Rep. Wald: This takes that money off the table for the Governor to spend next biennium.

Rep. Berg: Yes. If we go into the next session, January 1, we'd have a recommendation by the Governor and OMB that would say, "Here's your ongoing revenue. Here's your ongoing expenses." The one-time money sits in a pool and the legislature determines how to spend it.

Chm. Svedjan: Would you foresee agencies coming in or introducing bills that call for one-time spending?

Rep. Berg: I would love agencies to start looking at it that way.

Rep. Meyer: When you want a separate line item, can we ask OMB nicely or does it need to be done statutorily?

Rep. Berg: I think we should set that separate. We can ask people to do it, but how many times did you hear over the last two years that the spending was 24 percent increase? I can't see a downside to doing this. The upside provides more clarity and I would like to see the public engaged in this discussion to ensure that our state doesn't do what 90 percent of the other states have done.

Rep. Wieland: The next bill we're going to hear, HB 1419, involves removing the cap on the Budget Stabilization Fund and according to the fiscal note that would result in an additional transfer of \$326 million to the Budget Stabilization Fund. How will that play out?

Rep. Berg: As a committee we need to decide where we want to go. In terms of getting these numbers to tie in, we can take care of that. The intention in this bill is to better identify one-time money as it's being spent so it can be tracked in the future and clear to the public.

Rep. Kroeber: There's no change in the \$65 million. You're leaving that exactly the way it is now. Because now we have to have an excess of \$65 million in order to transfer anything in the Budget Stabilization Fund, correct?

Rep. Berg: Correct.

Rep. Kroeber: The second thing you're doing is you are setting a limitation on one-time spending. You're saying that whatever is left is going to be one-time spending.

Rep. Berg: I'm trying to define what one-time revenue is. I'm not making any determination on how it's spent other than if you look in the bill it says "on things that are a one-time expense."

Rep. Kroeber: Doesn't the third part of this take this one-time spending fund out of the Governor's privy to take it and use it in his budgeting process?

Rep. Berg: It does do that. I'm not sure if that will stand the test of signage by the Governor. There are always things that come up that are not in the Governor's budget that we would like to drive forward, that quite frankly we cannot drive them forward without reducing a budget somewhere. Is there a way to carve out some funds as we approach a session?

Rep. Onstad: On Line 9, "any interest or other fund earnings must be deposited in the fund" – are we talking interest from our numerous other . . .

Rep. Berg: The intention is that it would just be interest off the fund would stay in this fund.

Allen Knudson: That's just standard language that says that the balance in the fund, any interest or other earnings from investments would stay in the fund. It doesn't affect any other funds earnings, just this fund.

Rep. Onstad: When you say "other fund earnings" your reference to this one-time investment spending fund only then?

Mr. Knudson: That's correct.

Rep. Kaldor: Chapter 54-44.1, what is that chapter? Does that relate to the Governor's appropriations?

Mr. Knudson: That's the chapter that directs the Governor to introduce the Appropriations bills.

Rep. Kaldor: I agree that we have the authority to appropriate all the dollars, but isn't it incumbent upon the Executive to make the proposals to us as to what would be beneficial to the state?

Chm. Svedjan: In a one-time way?

Rep. Kaldor: Yes. Even when you have budget problems, you have certain circumstances in which you would have to make an expenditure that is not going to be an ongoing expenditure. I'm curious if this would impede that possibility.

Rep. Berg: That's part of the debate.

Rep. Kempenich: I think the agencies and the Governor should engage the legislature. I think it will have the situation where you can't say we have a failure to communicate our ideas or the agencies ideas.

Rep. Delzer: It's easier to have a standalone bill when you're talking about one-time money. This is money that no one ever expected and we want to keep it separate. The Governor could put in a separate bill to access this money. What we're trying to do is get it away from the budget bill so that it's an issue that's by itself.

Rep. Kroeber: There is one other difference in the bill and that's that as of right now the interest from the Budget Stabilization Fund goes into the General Fund.

Rep. Berg: The Budget Stabilization Fund, until it reaches 10 percent, the first biennium the interest went into the General Fund. I'm not really interested in the interest in this fund.

Pam Sharp, Office of Management and Budget spoke in opposition to HB 1313. If you look at the Budget Status Report we do identify ongoing and one-time expenditures. The one-time expenditures are also in the green books. Ms. Sharp expressed her concerns with this bill. She does not think there is a need for another fund to account for. It's becoming confusing. Ms. Sharp also said that she has a concern that the monies in this fund may not be included in drafts of appropriations acts. She said it might be worth looking into whether or not that is actually constitutional to tell the Governor he can't access the money when he prepares his budget. She is also concerned that monies cannot be included in budget data or reports presented to the legislative assembly pursuant to 54-44.1 (the chapter for the budget director).

Ms. Sharp: I think this – saying that we can't include it in budget data or present information to the legislative assembly – looks like a hidden account somewhere. It's not very transparent.

Rep. Meyer: Would it be impossible to have one line under "general funds," "one-time special funds" or does it have to be done statutorily? (27:50)

Ms. Sharp: It does not have to be done statutorily. We do have to make it very clear what the one-time expenditures are and what the ongoing expenditures are because that's the very premise of our budget that we use the ending balance to fund one-time expenditures. We use ongoing revenues to fund ongoing expenditures.

Rep. Kaldor: In the change packet summary in the OMB Website, I'm assuming that's the location where we can see the one-time budget changes? (28:40)

Ms. Sharp: That's correct.

Rep. Kaldor: Are there circumstances in which we would not have a budget surplus or where we get down to a lower level where we still have one-time expenditures in the general fund budget?

Ms. Sharp: That would be a possibility. We could have an ending balance of \$50 million. We could need more than that for one-time expenditures. In years past we did bonding in that situation.

Rep. Dosch: What's your definition of one-time spending?

Ms. Sharp: We probably have a definition somewhere in our book. A one-time project that is done once and not again. (30:01) (Rep. Berg handed Ms. Sharp a copy of Attachment B).

Rep. Berg: Referring to Attachment B, if you look at the bottom you see General Funds in the amount of the \$595 million 07-09. You're projecting a 21.1 percent increase of \$721 million. My challenge is the \$595 million included \$12 million in one-time funding. We take Veterans' Home or something like that, we could have an almost hold even General Fund budget that would actually be providing salary increases and more money yet to the average public they would say, "Gee, you didn't change our budget" or "Your budget was reduced" or "It wasn't increased as much as other budgets." (30:26)

Ms. Sharp: This document (Attachment B) is actually generated by our budget system. We would have to do some programming to show whether it's one-time or ongoing, it's still General Fund. The funding source doesn't change. We'd probably have some other time of verbiage or narrative saying how much was one-time spending.

Rep. Berg: I would just suggest adding one line. Rep. Berg gave another example. (32:06)

Ms. Sharp: I don't see why we couldn't do that.

Chm. Svedjan: Back to Rep. Dosch's question, in a perfect world, a one-time expenditure would be one that doesn't recur. We have seen instances where we have seen "phase 1 of phase 2" of one-time spending. (32:36)

Rep. Dosch: My concern is that we're seeing a lot of projects that are phase one, phase two – projects that we get started with one-time money – that are going to take four or five years to complete and will dependent on future appropriations and future legislators to complete projects and yet there is no accountability for encumbered funds. If we're starting a project that costs \$30 million in various phases over the years, we're only appropriating \$5 million this year, what about that contingent \$25 million liability? Where does that continuing liability show up? If we're not identifying that as encumbering future legislators I think we're making a mistake because otherwise we're going to have a slew of projects that we've started and in future session we won't be able to fund those and we will have wasted taxpayer's dollars because we don't have a fund or pot of money that we're saying, "this is one-time money." I think identifying one-time money in a separate fund is going to critical as we move forward. What is one-time spending? We're finding it's deferred maintenance, phase one of three phase projects – everyone seems to have a different definition of what one-time money is.

Ms. Sharp: I'm not aware of any projects that are of the one-time projects that are only phase one.

Rep. Delzer: The Adjutant General's budget is full of three or four examples of this.

Rep. Kempenich: they might not label it "phase one, phase two" but when you talk to the agencies they obviously complete what they want to do. You start funding it, they start this leg but then if you don't continue on with it it's really irrelevant to start the first part of it, because it does no good to continue on unless they go on with the next project. I think when we look at the one-time money in the budgets that this is truly something that can be finished in this

biennium. Or if it can't be finished in this biennium, then it's got to either be tied into another biennium or if they're calling it one-time money. (36:00)

There was no other testimony.

Chm. Svedjan closed the hearing on HB 1313 and did not take action at this time.

Chm. Svedjan adjourned the meeting.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1313

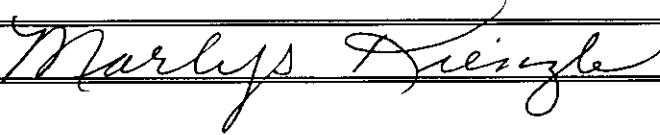
House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: # 8844

Committee Clerk Signature



Minutes:

Chm. Svedjan moved the Committee work to HB 1313.

Rep. Berg recapped the bill.

The bill is simply to identify one time spending separately from our General Fund ongoing spending. The way the bill was put together it created a fund. The amendment that is coming out makes this a little better transition. The question is what is the problem? Don't we keep track of it now? Over the past 3 weeks I have been monitoring what our one time spending was last session? It has ranged from one hundred and forty-four million to a hundred eighty million. It is a floating number that everyone interprets differently. With our amendments there would be no change to our budgeting this session. Section 3 at the bottom it explains, all budgets related reports prepared they would separate the one time money out from the general fund. Section 2 would evolve into next biennium. So the last day of the biennium if there is over 65 million in our ending fund balance first it would go to our budget stabilization fund then it would go into this one time fund. Then next session we appropriate one time spending out of that fund. So the fund would probably be 0 at the end of the session.

My hope is to offer more transparency so we know which appropriation would be attended for one time projects.

Attachment # 1 is the amendment.

So with that I would make a motion to accept the amendments.

Rep Klein: Seconded the motion.

Rep. Ekstrom: Again as previous discussed, these funds would not be subject to the executive budget process it would be separate?

Rep. Berg: That language has been removed. It would go through that fund as it's appropriated. This fund would not be to build up money. The key is that the next session of the legislature would know exactly what is to be a onetime funding. An example of the money appropriated for the building for the Department of Corrections. The intentions are to provide more clarity for the spending.

Rep. Pollert: With Rep. Wieland's bill we were working on this morning, the ending funding of 65 million the budget stabilization fund could go to 12 and one half or 395 million and we would have another 65 million.

Rep. Berg: If we look at our budget now we have 375 million as a onetime spending. That 375 is what is left over after we have the 65 million than we fund our stabilization fund up to 10% and what is left over is the 357. That is where we are using for the onetime money.

Chairman Svedjan: So it would be the overage plus the 65?

Rep. Berg: That is correct.

Rep. Ekstrom: We would be comingling funds in a single place for a onetime project. My problem with this bill you put the money from corrections in one place, you put the onetime project for OMB, you put the onetime project all across the board. How do the Appropriation Committee subcommittees in their own areas examine the budget?

Rep. Berg: There would not be any difference in how we approving your budget now. I would like to back up some as I look at this the 65 million is not in there.

Rep Svedjan: I was going to go back to that, as it does not look like the 65 would be in there. So it would leave the 65 million in the ending General Fund balance. Anything else would go to the stabilization fund and any that would go over that would be a onetime investment fund.

Rep Onstad: So that the money that goes into the onetime investment fund, those dollars they are used where?

Rep Berg: Again this is not a special fund, we would go into a Legislation Session and we would have some amount of money if we had surplus in this onetime fund. Then every agency or building fund or whatever we would appropriate money out of that fund to that agency for their construction. When the public sees how we spend our money it becomes confusing to them when we do onetime projects for cash rather than bonding, which distorts the picture of what our appropriation, is.

Rep Skarphol: Just so I can envision this. If I am going to look at bars and I am looking at revenue sources that fund an entity, am I going to see four lines rather than three now General Funds, Special Funds, Federal Funds and Onetime Funds.

Rep Berg: That would be my hope.

Rep. Glassheim: This automatically puts stuff into this fund and says that we only spend it on one-time things. If we have additional money, why should we preference to one time expenditures over other expenditure or over Tax relief or whatever the next legislature chooses to put expenditures into? Why are now sitting it has to be for onetime expenditures and seems odd to me and not very efficient.

(15:55)

Rep. Berg: That's how the Governor's budget was laid out last biennium. That's how it's laid out this biennium. He calls this onetime revenue. I think this is one reason ND has a surplus. He gave an example to clarify his point. (16:23) This says that we should be cautious of how

we spend the money. It also gives the Legislature total flexibility. This is just a statute and a simple majority could change it.

Rep. Glassheim: We don't know what unanticipated income is and what isn't. Why should we use this onetime fund for construction and not for special project and programs?

Rep Berg: Gave example to assist the understanding.

Chm. Svedjan: More simply put, it's an effort to separate one-time from ongoing revenues.

The legislature should do everything it can to live within its means. At the same time fund your one-time needs out of one-time revenue. And Fund you onetime expenses from your one time revenue. You don't over obligate.

Rep. Glassheim: There is no such thing as one-time revenue. We don't know what they're going to be in the next biennium. The concept is flawed. We don't know if sales taxes will be \$100 million than before. That's why we wait for our forecast. If the price of oil stays at \$60 we've got revenue for eight or ten years. I don't see that. It seems to take away the flexibility and lock us into capital construction that we don't know about. OMB and the Governor go from year to year as to what will be in account and what may not.

Rep. Kempenich: MN is trying to sell bonds to fund their budget. You can call it whatever but if you don't anticipate some of this. Right now we're trying to keep the top level. When you have percentages that are unsustainable and you look at history and it has a 3% to 4% average but when you are talking 17% or 20% you know that is not sustainable over a long period of time. You can gradually go up but taking the top off and is also flattening the bottom off.

Rep. Hawken: We have the \$65 million, and then we put money into the Budget Stabilization Fund right now up to 10%. How would we fund the ongoing expenditures with 65 million dollars where would that money come from?

Chm. Svedjan: I think it would be beneficial to give a description of one-time vs. ongoing.

Rep. Berg: The ongoing revenue you see from the budget is 2.7 billion dollars. The one-time is the surplus at the end of this period. I'll use a bookstore analogy. (26:00). I'd like to have a discussion on what is one-time so we can determine what that is and I am opened to that. There are two distinct differences in revenue.

Rep. Kempenich: You are forgetting that we hope the state keeps growing. The government isn't static. If it starts to level off we have to adjust.

Rep. Kroeber: Allen have we not been given a list of 3.7 billion one-time investments that are in the Governor's budget.

Mr. Knudson: We have put together a list together based on executive recommendation.

Rep. Kroeber: We have a complete listing in the red book. It shows 3.7 billion in one-time investments. What is going to change when we are doing this as far as knowing what the one time investments are?

Rep. Berg: What were one-time investments two years ago does anyone know off hand?

Rep. Kroeber: All I know is there a list for this biennium. If that's not the list, then we need to do something different.

Rep. Kempenich: One was that we sent \$12 million in micro surfacing in the DOT budget. This will put a fourth line called one-time funding. This is basically a reminder.

Rep. Kaldor: My question relates to the definition. We are going to have to define one-time funds based on the quantity, timing or source, I am not sure which. If we understood the definition a little better it may help.

Chm. Svedjan: The one time revenue is the excess over what it is you expected to receive.

Rep. Glassheim: If I had \$500,000 of new money, I'd put some in savings, some on expansion, hiring, new inventory, some for myself. I wouldn't do just one thing with it and that is to build something because it was unanticipated. I would try to grow the business.

Chm. Svedjan: The hope is that the ongoing sources or revenue will grow. That's what enables state government to add the new people and to do the operational enhancements. It's the one-time money that is the excess over what was forecast. It's dangerous to use one-time revenue for ongoing purposes because you may not have it next time.

Rep. Berg: We want to invest the dollars. Invest in things that will lower the long-term costs. I think what Rep. Glassheim explained is exactly what we want this bill to do.

Rep. Kaldor: When revenues are not what we anticipate, there will always be exceptions. We don't want to use this as a limitation on one-time investments. There may be a time where we will have to bond for a new capitol building.

Chm. Svedjan: That's true. If our revenues don't come in as anticipated we will have no onetime funds. This does not do anything with bonding.

Rep. Delzer: I don't see anything in here that would restrict how the money is spent. It just says that if you spend it out of there it shows where it was spent.

To adopt the amendment of .0202 a voice vote carried.

Rep Berg: Made a Do Pass as Amended motion.

Rep Pollert: Second the motion.

HB 1313 Do Pass as Amended with 20 yes, 5 no and 0 absent.

The carrier of this bill is Rep Kempenich.

FISCAL NOTE
Requested by Legislative Council
02/11/2009

Amendment to: HB 1313

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill creates a one-time investment fund consisting of transfers from the general fund if the end of biennium balance exceeds \$65 million after all required transfers to the budget stabilization fund have been made.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows interest to be retained in the one-time investment fund. Under current law, this interest would accrue to the general fund. With no emergency clause, it is assumed this bill will take effect August 1, 2009, and will not be in effect for transfers at the end of the 2007-09 biennium. Current revenue projections indicate a June 30, 2011, general fund balance less than \$65 million. Consequently, no transfers to the one-time investment fund would be anticipated in either the 2007-09 or 2009-11 bienniums.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Joe Morrisette	Agency:	OMB
Phone Number:	328-1024	Date Prepared:	02/11/2009

FISCAL NOTE
Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1313

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	(\$326,840,000)	\$326,840,000	(\$5,000,000)	\$5,000,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB1313 establishes a new fund which would receive any balance in the General Fund that exceeds 65,000,000 as of June 30th, 2009. This fund is also allowed to keep interest income in the fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 creates a new fund and allows for interest or other fund earnings to be kept in the fund.

Section 2 provides for the transfer of any balance in the General Fund exceeding 65,000,000 to be transferred to the new fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The General Fund ending balance for the 07-09 biennium is projected at \$391,841,000. Resulting in a transfer of \$326,841,000 to the new fund. Because this fund is allowed to earn interest the General Fund would receive approximately \$5,000,000 less in 09-11 Biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Lawrence Hopkins	Agency:	Treasurer's Office
Phone Number:	701-328-2643	Date Prepared:	01/15/2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1313

Page 1, line 1, remove "to provide for a transfer;"

Page 1, line 2, replace "declare an emergency" with "provide for one-time spending reports"

Page 1, line 9, remove "Moneys in"

Page 1, replace lines 10 through 16 with:

"SECTION 2. Transfers to one-time investment spending fund. At the end of each biennium, the state treasurer shall transfer any balance in the general fund in excess of sixty-five million dollars after transfers to the budget stabilization fund under section 54-27.2-02 to the one-time investment spending fund. For purposes of this section, "at the end of each biennium" means after cancellation of unexpended appropriations under section 54-44.1-11.

SECTION 3. 2009-11 ONE-TIME FUNDING ITEMS - OFFICE OF MANAGEMENT AND BUDGET REPORTS. For all budget-related reports prepared under section 54-44.1-06, the office of management and budget shall separately identify one-time funding items appropriated from the general fund from ongoing general fund appropriations for the biennium beginning July 1, 2009, and ending June 30, 2011."

Renumber accordingly

Date: 2/5/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1313

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90437.0202

Action Taken Adopt amendment .0202

Motion Made By Berg Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Voie Vote - carries

Date: 2/5/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1313

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90437.0202

Action Taken Do Pass as Amended

Motion Made By Berg Seconded By Pollert

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad	✓	✓
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom		✓
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf	✓	✓
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 20 No 5

Absent 0

Floor Assignment Kempenich

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1313: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (20 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1313 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "to provide for a transfer;"

Page 1, line 2, replace "declare an emergency" with "provide for one-time spending reports"

Page 1, line 9, remove "Moneys in"

Page 1, replace lines 10 through 16 with:

"SECTION 2. Transfers to one-time investment spending fund. At the end of each biennium, the state treasurer shall transfer any balance in the general fund in excess of sixty-five million dollars after transfers to the budget stabilization fund under section 54-27.2-02 to the one-time investment spending fund. For purposes of this section, "at the end of each biennium" means after cancellation of unexpended appropriations under section 54-44.1-11.

SECTION 3. 2009-11 ONE-TIME FUNDING ITEMS - OFFICE OF MANAGEMENT AND BUDGET REPORTS. For all budget-related reports prepared under section 54-44.1-06, the office of management and budget shall separately identify one-time funding items appropriated from the general fund from ongoing general fund appropriations for the biennium beginning July 1, 2009, and ending June 30, 2011."

Renumber accordingly

2009 SENATE APPROPRIATIONS

HB 1313

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1313

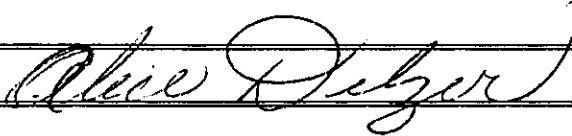
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-02-09

Recorder Job Number: 9978

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1313 at 2:45 pm in regards to an ACT to create a one-time investment spending fund; and provide for one-time spending reports.

Representative Rick Berg, District 45, introduced the bill and stated this bill has two objectives. One of them is to provide a little more transparency with the public and number two it is a tool for legislators to move forward. There have only been 3 states that have not been in a deficit since 2002-2003; North Dakota, Wyoming and Texas. Living on the border with Minnesota I remember back in 2002- 2003. We all had a struggle. We had a deficit. Minnesota had a huge deficit. We worked out of this. We had economic boom across the country, and here we are again, the last 24 months, Minnesota has a deficit and we hear in the press everyday on layoffs and budget cuts and tax increases that are going around the country. I think the one thing that stands out in my mind, why North Dakota is different right now because we have identified the one -time money and we try to use that in one- time spending, we have identified the ongoing revenue and we have matched many of the ongoing programs with the ongoing revenue. During this last interim I was maybe a little disappointed or frustrated quite a bit of the time and people said you had a percentage increase in spending. Well we did, but we actually had a 14% increase on ongoing spending and 10% in one-time spending. we are doing things that will enhance the state in the long term. (03.14) He presented written

testimony # 1 a summary of one-time spending for Department of Human Service and it shows their spending last biennium and the request for this biennium . The point that I would like to make is it is hard for me to look at this to figure out what is one-time spending and what is not. The challenge I had going into the session is to ask what is their one-time spending. We haven't made an effort to track that and pay attention to that. The challenge that I have if you look at our corrections budget, you had that bill, spending for this biennium is up less than 1% than last biennium . It doesn't account for the amount we put in last biennium's budget for one-time spending. (4.44) He presented written testimony # 2 which is another worksheet on Human Services. It will help us to know what is one-time spending and on-going spending and help the people of ND understand it better. We will do a real service long term to the people by working with these issues. He recapped the bill. (07.07)

Pam Sharp Director of the Office of Management and Budget (OMB) stated as Representative Berg pointed out we have been working very hard to identity one- time spending versus on- going spending. What we have been doing the last biennium is exactly what Representative Berg described in moving the ending balance from the general fund to fund our one-time investments for the upcoming biennium and I think that works very well. The third section of this bill provides that OMB report one-time funding items and we'd be happy to do that. We have been doing that, it is in the books, in the bills, we will continue to do that and if we need to report it in a different way we would be happy to do that. But one of the concerns I do have is creating another special fund for that ending balance. I don't think we need one more fund. Right now we are keeping track of the general funds, the oil tax trust fund, the budget stabilization fund and to add those up, you know for the general public to get to what they want to report as what we have in our reserve. I think we don't need any more funds and my concern is that by taking general fund dollars and putting them into a special fund and then

making them special fund dollars, I think that is confusing for the public because we are really spending those general fund dollars on our budget ? (09.27) and there is nothing wrong with that but to put it into special funds might be confusing for the public. Those are my concerns with this bill.

Chairman Holmberg asked if we don't do that a lot already though, for example ITD has a lot of special funds but really are general funds that get washed over there and they become special funds. So there are things we already do that are somewhat confusing to legislators let alone the public.

Pam Sharp said in the case of ITD they do services for other agencies and ITD has to bill those agencies. And the agencies that are general funds do need to use their general fund dollars to pay for those services. But they would pay for those services whether they were with ITD or someone else.(10.39)

Senator Christmann said I will state it how I understand it, if we pass this, permanent oil trust fund will continue to act however it would act if we didn't pass it, the amount at whatever we said, but that will not be impacted by this and the budget stabilization funds whether that is a 10% cap or 12 ½ that won't be impacted by this, this will just capture ending fund balance that doesn't go into the budget stabilization fund but put it into this fund, is that correct? (11.48)

Pam Sharp said it would be put it into this fund instead of general fund.

Chairman Holmberg said so the general fund in essence would be capped by this legislation and the money would be in this one-time spending fund. The total dollars would be the same.

Representative Berg stated he wanted to make a couple of comments. This is not to set up a fund to stick money away. As we appropriate money for general fund spending we would have money which funded by the general fund and this money would just be tagged as one time money. That is the only intent. (13.27) I think in all honesty and fairness, if people ask,

what's your general fund spending I don't think OMB can separate this out. I don't think they can present two different ways because this is their general fund spending. So I do think we need, and again it is not important the way this bill lays out, but I do think we need to somehow segregate those so when people are asking about general fund spending we have that separate. (13.55)

Chairman Holmberg closed the hearing on 1313.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1313

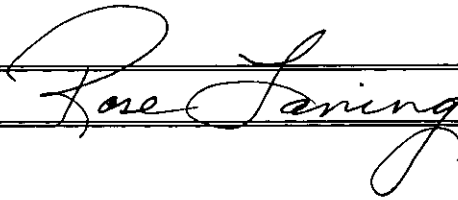
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 6, 2009

Recorder Job Number: 11748

Committee Clerk Signature



Minutes:

Chairman Holmberg stated that this bill says if we have excess money over and above the projection, then we will put that money in a onetime investment spending fund. We would have the budget fund, the oil fund, the general fund and the onetime investment spending fund.

Senator Warner moved Do Not Pass on HB 1313

Senator Seymour seconded.

Senator Krauter: We have to be careful when we do these things, putting money away for a rainy day. We might lock it up and then we can't get to it, such as we've done in the market stabilization fund. The market value has gone down on that, even though it's bonds. I'll support the motion here, but I think we need to remember this when we get to HB 1419.

A Roll Call vote was taken. Yea: 11 Nay: 2 Absent: 1

Chairman Holmberg will carry the bill.

Chairman Holmberg closed the hearing.

Date: 4-6-09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1313

Senate Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Warner Seconded By Seymour

Representatives	Yes	No	Representatives	Yes	No
Senator Wardner	<input checked="" type="checkbox"/>		Senator Robinson	<input checked="" type="checkbox"/>	
Senator Fischer	<input checked="" type="checkbox"/>		Senator Lindaas	<input checked="" type="checkbox"/>	
V. Chair Bowman <u>A</u>			Senator Warner	<input checked="" type="checkbox"/>	
Senator Krebsbach	<input checked="" type="checkbox"/>		Senator Krauter	<input checked="" type="checkbox"/>	
Senator Christmann		<input checked="" type="checkbox"/>	Senator Seymour	<input checked="" type="checkbox"/>	
Chairman Holmberg	<input checked="" type="checkbox"/>		Senator Mathern		<input checked="" type="checkbox"/>
Senator Kilzer	<input checked="" type="checkbox"/>				
V. Chair Grindberg	<input checked="" type="checkbox"/>				

Total Yes 11 No 2

Absent 1 ~~1~~

Floor Assignment Holmberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
April 6, 2009 3:10 p.m.

Module No: SR-58-6306
Carrier: Holmberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1313, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1313 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1313

REQUEST / RECOMMENDATION COMPARISON SUMMARY

325 DEPARTMENT OF HUMAN SERVICES

Biennium: 2009-2011

Bill#: HB1012

Attachment B
HB 1313
1-19-09

Description	Expenditures Prev Biennium 2005-2007	Present Budget 2007-2009	2009-2011 Requested		2009-2011 Requested Budget		2009-2011 Recommended		Executive Recommendation 2009-2011
			Incr(Decr)	% Chg	Incr(Decr)	% Chg	Incr(Decr)	% Chg	
BY MAJOR PROGRAM									
MANAGEMENT	51,738,286	98,942,591	-39,521,612	-39.9%	59,420,979	-33.5%	-33,099,935	-33.5%	65,842,656
PROGRAM AND POLICY	1,318,630,239	1,566,665,647	218,003,775	13.9%	1,784,669,422	22.5%	353,050,516	22.5%	1,919,716,163
HUMAN SERVICE CENTERS	110,775,878	128,741,073	5,436,496	4.2%	134,177,569	18.5%	23,770,277	18.5%	152,511,350
STATE HOSPITAL-TRADITIONAL	46,554,730	52,235,044	2,591,030	5.0%	54,826,074	14.1%	7,361,583	14.1%	59,596,627
STATE HOSPITAL-SECURE SERVICES	5,962,085	14,491,287	-4,925,081	-34.0%	9,566,206	-28.2%	-4,086,387	-28.2%	10,404,900
DEVELOPMENTAL CENTER	43,700,371	48,221,619	1,342,707	2.8%	49,564,326	12.0%	5,793,646	12.0%	54,015,265
TOTAL MAJOR PROGRAMS	1,577,361,589	1,909,297,261	182,927,315	9.6%	2,092,224,576	18.5%	352,789,700	18.5%	2,262,086,961
BY LINE ITEM									
SALARIES AND WAGES	32,269,481	50,741,266	2,779,881	5.5%	53,521,147	26.1%	13,226,825	26.1%	63,968,091
OPERATING EXPENSES	75,661,938	153,961,819	-36,824,263	-23.9%	117,137,556	-22.2%	-34,171,213	-22.2%	119,790,606
CAPITAL ASSETS	356,620	1,837,987	-1,824,987	-99.3%	13,000	-99.3%	-1,824,987	-99.3%	13,000
GRANTS	300,783,858	343,699,648	103,141,647	30.0%	446,841,295	33.0%	113,265,660	33.0%	456,965,308
HUMAN SERVICE CENTERS / INSTITUTIONS	206,643,064	241,868,720	6,265,455	2.6%	248,134,175	14.3%	34,659,422	14.3%	276,528,142
GRANTS-MEDICAL ASSISTANCE	961,646,628	1,117,187,821	109,389,582	9.8%	1,226,577,403	20.4%	227,633,993	20.4%	1,344,821,814
TOTAL LINE ITEMS	1,577,361,589	1,909,297,261	182,927,315	9.6%	2,092,224,576	18.5%	352,789,700	18.5%	2,262,086,961
BY FUNDING SOURCE									
GENERAL FUND	478,362,900	595,736,533	50,112,639	8.4%	645,849,172	21.1%	125,776,012	21.1%	721,512,545
FEDERAL FUNDS	1,017,286,161	1,212,943,782	132,788,856	10.9%	1,345,732,638	18.3%	221,647,938	18.3%	1,434,591,720
SPECIAL FUNDS	81,712,528	100,616,946	25,820	0%	100,642,766	5.3%	5,365,750	5.3%	105,982,696
TOTAL FUNDING SOURCE	1,577,361,589	1,909,297,261	182,927,315	9.6%	2,092,224,576	18.5%	352,789,700	18.5%	2,262,086,961
TOTAL FTE	2,058.43	2,223.38	33.50	1.5%	2,223.38	6%	14.00	6%	2,237.38

**HOUSE BILL NO. 1313 -
ONE-TIME INVESTMENT SPENDING FUND - 2009-11 BUDGET EFFECT**

	Executive Budget	HB 1313 Changes
Estimated June 30, 2009, general fund balance	\$502,933,109	\$502,933,109
Estimated budget stabilization fund transfer	(111,092,167)	(111,092,167)
Estimated one-time investment spending fund transfer	N/A	(326,840,942)
Estimated July 1, 2009, general fund balance	\$391,840,942	\$65,000,000

The 2009-11 executive budget recommends spending general fund money on one-time funding items. Provisions of House Bill No. 1313 would allow the Legislative Assembly to appropriate funding for one-time items from the one-time investment spending fund rather than the general fund. These one-time funding items would no longer be a part of the agencies' general fund appropriations. Reports would separately identify appropriations being made from the general fund, one-time investment spending fund, and other special funds, including federal funds.

The State Treasurer, on the fiscal note, estimates the fund will earn \$5 million of interest during the 2009-11 biennium which, under provisions of the bill, would be deposited in the one-time investment spending fund rather than the general fund.